

Message Text

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ACTION ARA-20

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IGA-02 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7494

C O N F I D E N T I A L SANTIAGO 0780

EO 11652: GDS

TAGS: IBRD, IDB, IMF, CI

SUBJ: CHILE AND THE IFIS

REF: SANTIAGO A34

1. SUMMARY. IBRD MISSION HERE IS LOOKING INTO CHILE'S SHORT AND MEDIUM TERM ECONOMIC NEEDS, PARTICULARLY IN AGRICULTURAL, TRANSPORT, INDUSTRIAL, AND FINANCE SECTORS. IDB MISSION ALSO NOW IN CHILE IS STUDYING FUTURE BANK PROJECTS HERE, WITH EMPHASIS ON AGRICULTURAL AND URBAN HOUSING LOANS. MOST ADVANCED IDB PROJECTS ARE LOANS TO ENDESA, STATE ELECTRICITY ENTERPRISE, AND ENAP, STATE PETROLEUM ENTERPRISE, TOTALLING APPROXIMATELY \$130 MILLION, GOC IS PLEASED WITH POSITIVE RESPONSE OF IFIS TO CHILE'S NEEDS AND IS COOPERATING FULLY WITH THEIR STAFFS TO ESTABLISH PRIORITIES FOR LARGE SCALE CREDITS. END SUMMARY.

2. IN EARLY FEBRUARY A TWELVE-MEMBER IBRD MISSION, HEADED BY GUY PIERRE PFEFFERMANN, ARRIVED IN SANTIAGO TO STUDY CHILE'S SHORT-TERM BALANCE OF PAYMENTS NEEDS AND ITS MEDIUM TERM (5-6 YEAR) DEVELOPMENT PROSPECTS. IN CALL ON AMBASSADOR FEB 14, PFEFFERMANN
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(ACCOMPANIED BY THIEBACH AND BROWN) SAID BANK EXPERTS

ARE LOOKING ESPECIALLY INTO AGRICULTURAL, TRANSPORT, INDUSTRIAL, AND FINANCE SECTORS. IBRD TEAM EXPECTS TO COMPLETE RESEARCH FOR REPORT TO BANK LEADERSHIP ON RECOMMENDED LENDING POLICY IN CHILE BY MARCH 9 DEPARTURE DATE.

3. PFEFFERMANN INDICATED SUBSTANTIAL BALANCE OF PAYMENTS LOAN FOR CY '74 WAS ONE POSSIBILITY BEING STUDIED AND MENTIONED \$50-60 MILLION AS FEASIBLE LEVEL OF DISBURSEMENT. HE EMPHASIZED, HOWEVER, TENTATIVENESS OF THESE THOUGHTS. WORLD BANK MISSION BELIEVES AGRICULTURE SECTOR HAS HIGH PRIORITY FOR PROJECT LENDING. PFEFFERMANN AND HIS COLLEAGUES INDICATED IBRD IS ATTRACTED TO CONSORTIUM LENDING APPROACH TO CHILE AS SUGGESTED IN RECENT CIAP MEETING, BUT THEY ARE UNAWARE WHETHER ANY FOLLOW-UP STEPS BEING TAKEN AS YET.

4. AMBASSADOR POINTED OUT TO PFEFFERMANN DESIRABILITY OF COORDINATING WORK OF VARIOUS ASSISTANCE AGENCIES, INCLUDING BANK AND AID. TOLD PFEFFERMANN NO FIRM DECISIONS YET RE NEW US AID PLANS, EITHER AS TO MAGNITUDE OR AREAS OF ASSISTANCE. AMBASSADOR AND PFEFFERMANN AGREED THAT EMBASSY AND IBRD STAFF REMAIN IN CLOSE CONTACT AND MEET AGAIN PRIOR MISSIONS'S DEPARTURE FROM CHILE.

5. AN IDB MISSION IS ALSO PRESENTLY IN CHILE TO DISCUSS FUTURE BANK PROJECTS HERE AND PREPARATIONS FOR 15TH ANNUAL ASSEMBLY OF IDB GOVERNORS IN EARLY APRIL (REFAIR). GROUP OF 17 TECHNICAL EXPERTS, HEADED BY OLIVEIRAS SANTOS, DIRECTOR OF IDB INTERNATIONAL OPERATIONS, IS LOOKING OVER SHAPE OF FUTURE BANK PROGRAM, WITH PARTICULAR EMPHASIS ON POSSIBLE LOANS TO AGRICULTURE AND URBAN HOUSING SECTORS, AND HAVING DISCUSSIONS WITH TOP GOC OFFICIALS. SMALL GROUP LED BY JORGE HAZARD, IDB SECRETARY, IS ASSISTING IN PREPARATIONS FOR ANNUAL MEETING OF GOVERNORS.

6. ACCORDING IDB SOURCE, TWO MOST ADVANCED BANK PROJECTS (IN ORDER OF PRIORITY) ARE LOANS TO ENDESA AND ENAP. TOGETHER THEY TOTAL APPROXIMATELY \$130 MILLION.
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7. IN AN UNRELATED DEVELOPMENT, GOC HAS DESIGNATED GENERAL EDUARDO CANO, PRESIDENT OF CENTRAL BANK, AS CHILEAN GOVERNOR IN IMF. JOSE LUIS ZABALA, HEAD OF CENTRAL BANK DEPARTMENT OF STUDIES, NAMED AS NUNO'S ALTERNATE.

8. COMMENT: GOC, WITH GOOD REASON, SEES COOPERATION

OF IFIS AS KEY ELEMENT IN ITS ECONOMIC RECOVERY PLAN.
ADMIRAL MERINO, MEMBER OF MILITARY JUNTA, RECENTLY
TOLD EMBOFFS GOC IS VERY PLEASED WITH POSITIVE RESPONSES
OF IFIS TO CHILE'S NEEDS. OTHER HIGH CHILEAN OFFICIALS
HAVE COMMENTED IN SAME VEIN. GOC IS COOPERATING FULLY
WITH VARIOUS IFI STAFFS IN ATTEMPTS DEVELOP NECESSARY
BACKGROUND INFORMATION AND ESTABLISH PRIORITIES FOR
LARGE-SCALE BALANCE OF PAYMENTS AND DEVELOPMENT CREDITS.
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